TRADERS GROUP LIMITED

ANNIVERSARY
50
1920-1970
ANNIVERSAIRE

ANNUAL REPORT 1969

50 YEARS OF

CHANGE

CREATING NEW

GROWTH

STRENGTH &

PURPOSE

IN TRADERS

AND NOW

THE BEGINNING

OF A NEW FUTURE

WITH THE

CHALLENGES

OF NEW

OPPORTUNITIES

IN THE MARKETPLACE

1920	Traders Finance Corporation founded in Winnipeg and pioneered in Canada the concept of sales financing of automobiles and other consumer goods.
1923	First branch offices opened in Vancouver, London and Montreal; affiliate company, Traders Finance (Canada) Limited, Toronto, formed.
1926	Two Traders companies, with combined assets of $8.6 million, merged as Traders Finance Corporation Limited, under a Dominion Charter.
1928	First diversification, with acquisition of interest in Canadian General Insurance Company and Toronto General Insurance Company.
1932	Founder and president, William Watson Evans, died; succeeded by The Right Honourable Arthur Meighen, P.C., K.C., former Prime Minister of Canada.
1940	Trans Canada Credit Corporation Limited formed under Small Loans Act (1939) to provide cash loans direct to the consumer.
1944	Albert E. Naylor, vice president and general manager, with the company since 1921, succeeds Mr. Meighen as president.
1953	Traders entered realty financing field.
1960	Specialized industrial financing division formed. Ross M. Willmott, executive vice president, with the company since 1935, becomes president.
1961	Acquisition of Frankel Steel Construction Limited, Toronto, leading structural steel fabricator; and an interest in Guaranty Trust Company of Canada, Toronto.
1962	Interprovincial Building Credits, Ltd., Toronto acquired (now Traders Homeplan Limited); also an interest in Aetna Factors Corporation Ltd., Montreal.
1964	Investment interest purchased in Cadillac Development Corporation Limited, Toronto, one of Canada's largest property development companies.
1966	Company changes its name to Traders Group Limited—Le Groupe Traders Limitée to describe company's new diversified role.
1970	Company enters new decade with assets of $569 million, some 250 branch offices, and more than 2,500 employees.

"THE CREDIT INNOVATION"

Traders in 1970 celebrates its 50th year as a leader in the sales financing field, as well as ranking 23rd among all financial institutions (including banks) and 14th in assets among the 100 largest manufacturing, resource and utility corporations in Canada.

Its primary business is consumer credit.

Traders started business in 1920 with just five people in a third floor office in Winnipeg. It was a small and humble beginning.

The company was one of the pioneers of consumer credit in this country. Without credit for the average working man, and the institutions that came into being to supply it, Canadians could not have attained their present standard of living, nor have the good fortune to be able to look forward to still further advances in the future.

To chronicle the Traders story and its influence in the development of the Canadian credit system, the company will publish later this year a commemorative booklet, "The Credit Innovation".

TRADERS GROUP LIMITED

49TH ANNUAL REPORT

December 31, 1969

HIGHLIGHTS OF THE YEAR'S OPERATIONS

(in thousands of dollars)

		1969		1968
Consolidated assets		$ 569,355		$ 534,705
Total Income		$ 110,489		$ 96,928
Interest and acquisition cost of money		25,523		23,474
Other direct operating charges		47,641		39,303
Administration expenses and depreciation		24,477		22,856
		97,641		85,633
Profit for the year before income taxes and minority interest		12,848		11,295
Income taxes		6,183		5,557
Profit for the year before minority interest		6,665		5,738
Minority interest in net profits of subsidiaries		104		119
Net profit for the year		6,561		5,619
Interest on income funding rights	$ 9		$ 9	
Dividends on preferred shares	1,005	1,014	684	693
Available for common shares		$ 5,547		$ 4,926
Dividends on common shares		$ 2,659		$ 2,654
Earned per common share		$ 1.25		$ 1.11
Paid per common share		$ 0.60		$ 0.60
Common shares outstanding at December 31		4,432,571		4,432,571
Number of shareholders				
Common		14,150		14,770
Preferred		4,192		2,998
Consolidated net profit by Group		%		%
Finance Group		75		61
Insurance Group		17		29
Frankel Group		8		10
		100		100

TRADERS GROUP LIMITED

Incorporated under the laws of Canada—
Executive Offices,
625 Church St., Toronto

DIRECTORS

J. WILSON BERRY
Chairman
Guaranty Trust Company of Canada

H. R. JACKMAN, Q.C., LL.B.
President
Dominion and Anglo Investment Corporation Limited

A. SARLOS, C.A.
Vice President and Secretary-Treasurer
Acres Limited

R. M. WILLMOTT
President
Traders Group Limited

H. E. DYNES
Executive Vice President
Corporate Finance Group
Traders Group Limited

D. W. NAYLOR
Executive Vice President
Corporate Development
Traders Group Limited

C. NORMAN SIMPSON, B.Sc., P.Eng.
President
Acres Limited

W. W. EVANS, C.A.
Executive Vice President
Corporate Treasury & Administration
Traders Group Limited

B. H. RIEGER
Vice President
Canadian Corporate Management Company Limited

W. F. SPRY, F.I.I.C.
Chairman
Canadian General Insurance Company

EXECUTIVE OFFICERS

C. NORMAN SIMPSON
Chairman of the Board

R. M. WILLMOTT
President

H. E. DYNES
Executive Vice President
Corporate Finance Group

W. W. EVANS
Executive Vice President
Corporate Treasury & Administration

D. W. NAYLOR
Executive Vice President
Corporate Development

G. E. WHITLEY
Secretary & Legal Counsel

E. A. A. WIGHTON
Treasurer

DIVISION OFFICERS

J. J. BOURBONNIERE
Vice President
Homeplan Division

E. W. FINGARSON
Vice President
Realty & Mortgage Division

E. W. FLANAGAN
Vice President
Personal Loan Division

A. V. STEELE
Vice President
Consumer Financing Division

G. D. WALLACE
Vice President
Industrial Financing Division

Auditors — Price Waterhouse & Co., Chartered Accountants

Transfer Agents and Registrars — Guaranty Trust Company of Canada—Toronto, Montreal, Winnipeg, Calgary, Vancouver
Bank of Montreal Trust Company, New York

Trustees — *Collateral Trust Notes*—The Royal Trust Company   *Debentures*—The Canada Trust Company

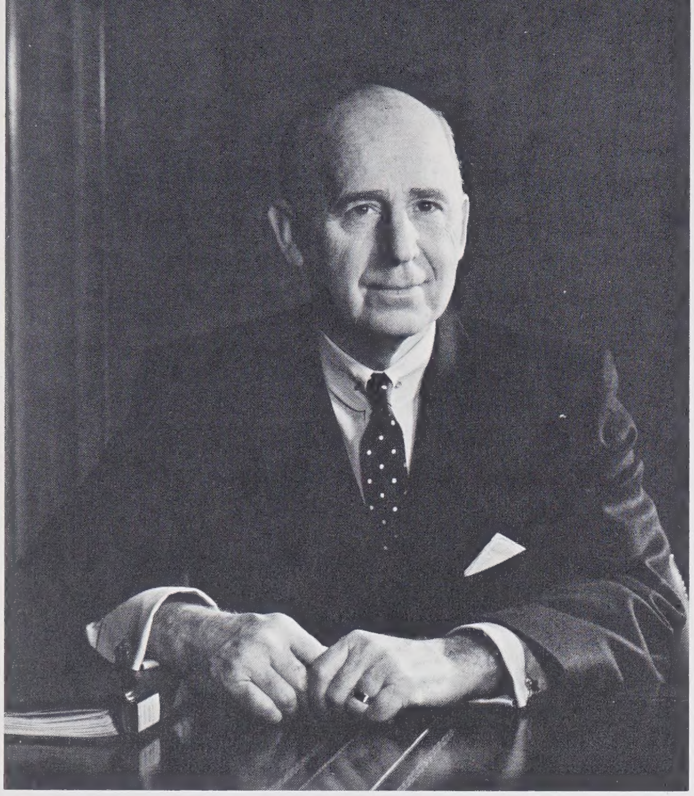
Shares Listed — Toronto Stock Exchange   Montreal Stock Exchange   Vancouver Stock Exchange

Bankers

Canada: Bank of Montreal   Banque Canadienne Nationale   Canadian Imperial Bank of Commerce
The Provincial Bank of Canada   The Royal Bank of Canada   The Toronto-Dominion Bank

United States: National Bank of Detroit   Chemical Bank, New York   Security Pacific National Bank, Los Angeles

The Annual Meeting of Shareholders will be held this year in the Empress Room, Park Plaza Hotel, 4 Avenue Road, Toronto, at 11:00 a.m., April 28, 1970. There will be a brief reception after the meeting to permit Shareholders the opportunity to talk informally with directors, officers and others.



To the Shareholders:

On behalf of your directors, I take pleasure in submitting the Consolidated Balance Sheet and the Consolidated Statements of Profit and Loss and Surplus of Traders Group Limited and its subsidiary companies, for the year ended December 31, 1969. A preliminary report of earnings for the year under review was released February 24, 1970.

The company's excellent pattern in earnings improvement, which started with the first quarter in 1967, continued in each quarter of 1969. Consolidated net profit, after taxes, in 1969 was $6,561,275 as compared with $5,619,485 in 1968.

Earnings available for common shares in 1969 showed an improvement of nearly 13 per cent over the year 1968. On 4,432,571 Common Shares outstanding at December 31, 1969, the amount available for common shares was $5,546,670 or $1.25 per share, compared with $4,926,288 or $1.11 per share in 1968, on the same number of shares.

Since 1966, the so-called "tight money crisis" has persisted virtually without relief and, for the most part, has been an international condition. The situation has, of course, been aggravated by spiralling inflation, with its attendant effect on all cost elements.

The ability of the company for the past three years to show a consistent improvement in its consolidated net profit is most gratifying and a tribute to all levels of management in the company.

The past year has shown a steadily increasing acceptance of your company's long- and short-term securities, not only because of the improved earnings trend but also because of our continued high credit rating. Early in 1970 we arranged our first European loan and we have other European and United States secured note issues under consideration. Recently our total of short-term paper reached the highest point since the year 1965, and consequently our usage of bank credit has reached the lowest level in eight years.

Balance Sheet

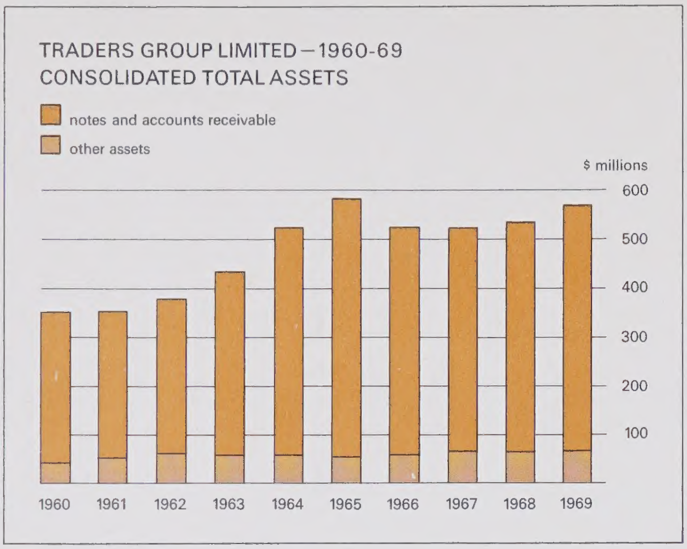
Total assets were at a near-record high of $569,355,420 at December 31, 1969 compared with $534,705,434 at the end of 1968. Reference should be made to the Notes to the Consolidated Financial Statements on page 12, and to the detailed explanation of balance sheet items on page 17.

Instalment contracts and interest-bearing loans increased by approximately $37 million during the year to $430 million—an increase of 9.4%.

Wholesale advances to dealers were significantly lower at the year-end reflecting our desire to maintain credit limits for this purpose at the lowest possible level.

The indicated market value of investments increased to $50,340,533 at December 31, 1969 from $44,065,030 at December 31, 1968—an increase of $6,275,503. The listing on The Toronto Stock Exchange of the shares of Cadillac Development Corporation Limited largely accounted for the improved market value. Reference should be made to Note 4 on page 13, for details of our investments.

During the year 1969 the following changes took place in your company's debt and capital structure:



Matured and Redeemed	Balance at Maturity date
Debentures	
April 15, 1969 5%	$ 2,505,000
May 1, 1969 4¾%	119,000
October 1, 1969 5½%	2,509,500
	$ 5,133,500
Collateral Trust Notes	
Series U January 2, 1969 5½%	$ 6,300,000
Issued	
Collateral Trust Notes	
Series AK December 1, 1988 8% (payable in United States Funds)	$ 4,950,000
Series AM December 15, 1974 9¾%	7,500,000
	$12,450,000
Preferred Shares	
250,000 Series B $2.16 preferred	$ 7,500,000

Operations

Operations in 1969 are dealt with in detail in the "Review of Operations", starting on page 19. Since the Review outlines in some detail the operating performance of Traders Group Limited and the principal subsidiary companies in 1969, it will not be necessary to give a lengthy description of operations in this letter.

The Finance Group, which includes the Realty and Mortgage Division, again increased its percentage of the total contribution made to earnings. The after-tax profit from this Group for 1969 was $4,933,887 as compared to $3,410,530—an increase of 44%. The total contribution represented 75% of total consolidated net profit. This contribution should be considered to represent a more normal amount expected from this area, and all those associated in the excellent results should take great pride in the accomplishment.

For reasons well known to the general insurance industry, it was expected that companies doing this class of business would experience a very large underwriting loss for the year 1969. Although our Insurance Group contributed $1,126,409 to earnings in 1969, as compared with $1,663,630 in 1968, and representing a decrease of 32%, the results must be considered to be satisfactory in the light of general conditions. Certainly the general insurance industry has felt the problems of inflation probably to a greater extent than most industries, and it has not been found possible to increase the premium rates as yet to put the industry on a sound underwriting profit basis. This situation must be rectified soon.

Frankel Structural Steel Limited experienced an extremely good year, the profits being the highest in the company's history. The Formwork Division suffered a substantial loss due to underestimated contracts, strikes and inflationary costs. The necessary steps have been taken to correct this situation. Because of the exceptional results of the Steel Division the loss from the Formwork Division was more than offset and the Frankel companies contributed $500,979 to net earnings after taxes, as compared with $545,325 in 1968.

General

The company in 1970 will mark the 50th Anniversary of its founding in Winnipeg in 1920. It is an event in which we, as a company, take pride because of the significant part played by the Traders organization in pioneering in Canada the concept and use of consumer credit. This concept is based on the ability of responsible individuals to purchase both essential and luxury goods on the strength of their good character and capacity to pay for such purchases out of future earnings. The use of consumer credit has been a

major factor in the attainment by a majority of Canadians of one of the highest standards of living in the world.

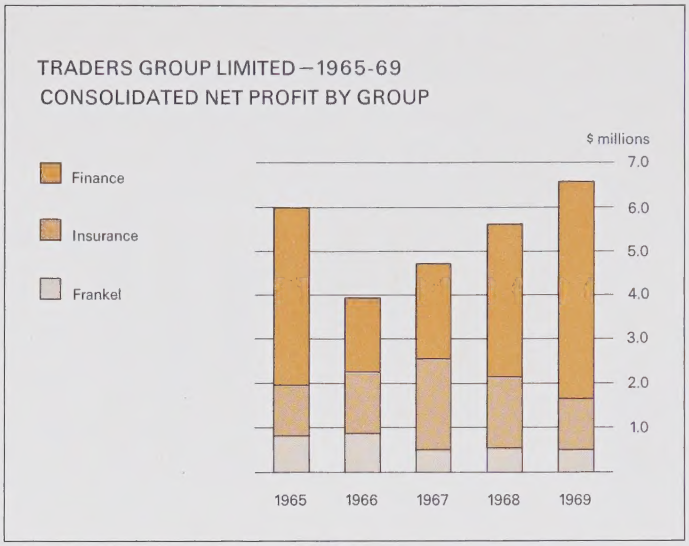
The company's 50th Anniversary, in an appropriate program, will be officially recognized next September, which approximates the time when the company held its first directors' meeting.

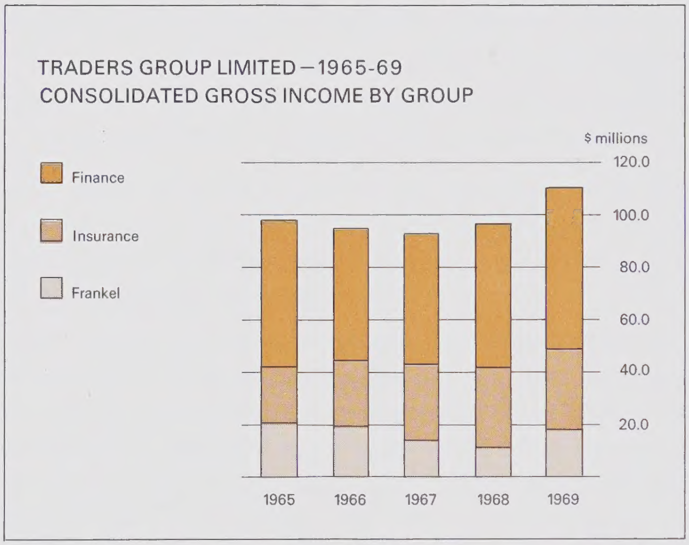
Traders management personnel continued in 1969 to have a highly influential role in planning and implementing the activities of the two industry associations, the Federated Council of Sales Finance Companies and the Canadian Consumer Loan Association.

During the year under review Mr. E. W. Flanagan, president, Trans Canada Credit Corporation, and a vice president of Traders Group Limited, was elected president of the Canadian Consumer Loan Association, and Mr. H. E. Dynes, executive vice president, Finance Group, moved up to the position of first vice president of the Federated Council of Sales Finance Companies, as well as being named chairman of several key committees in Council. Among other Traders management, Mr. E. A. A. Wighton, treasurer, became co-chairman of the Council's corporate treasurer's committee, and Mr. D. A. Heeney, director of public relations, became chairman of the Council's public relations committee. Other company employees also contributed extensively to the success of the activities of the two associations.

Commendation is also due to Mr. Merrold Suhl, president of Aetna, who is a director of Factors Chain International and the National Commercial Finance Conference which represents the interests of factoring companies in both Canada and the United States.

A far-reaching development affecting Traders was initiated in the early weeks of 1970; namely, the purchase by Acres Limited, Toronto, of a major block of voting stock in Canadian General Securities Limited, the parent company of Traders. On January 30, 1970 Acres Limited announced an exchange offer for all additional Class B shares, and all

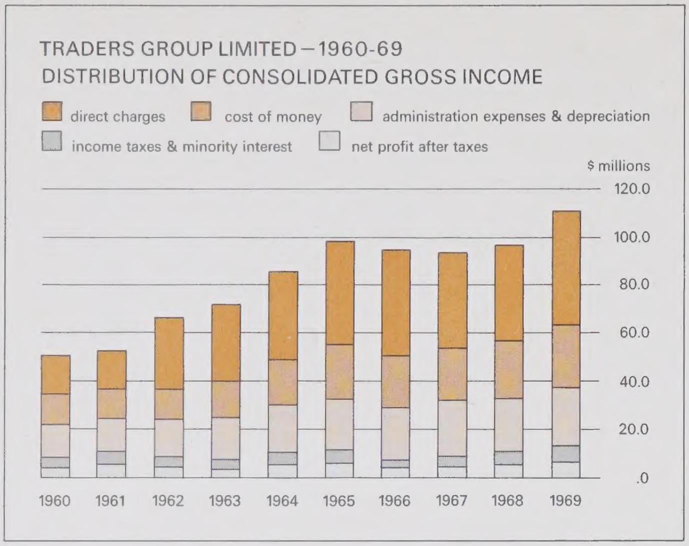




Class A Common shares of Canadian General Securities. At the same time an exchange offer was announced for 56% of the Traders Class A common shares and all of the Class B common shares. The formal offer was issued on February 16 and expired on March 10, 1970. The offer was not made to shareholders who were residents of the United States of America.

The task of assessing how the resources of Traders and Acres can be used to best advantage has been assigned by Acres to Mr. Gordon R. Sharwood, formerly chief general manager of the Canadian Imperial Bank of Commerce and now a financial consultant in Toronto. Mr. Sharwood will have at his disposal senior personnel from both companies.

Traders will function on an independent basis in its day-to-day operations, but will work closely with the Acres management in matters of policy, strategy and communications.



Over the long term, the association with Acres Limited should prove beneficial for both organizations. I am confident that Acres Limited will be able to assist significantly in helping Traders move forward in the decade ahead.

Mr. P. P. Daigle, Mr. J. S. Dinnick, Mr. K. B. Palmer and Mr. R. F. Wilson resigned as directors of the company in March, 1970. At a meeting of the Board of Directors held on March 13, 1970, Mr. C. Norman Simpson, president of Acres Limited, and Mr. Andrew Sarlos, vice president and secretary-treasurer of Acres Limited, were elected directors of Traders. At the same meeting, Mr. Simpson was appointed Chairman of the Board. All the present directors of Traders will be nominated for re-election at the annual meeting of shareholders on April 28. Shareholders will also be asked to approve a by-law to increase the number of directors to sixteen. Nominations for six additional directors will then be presented to the meeting.

Outlook

While the immediate outlook for the 1970s indicates a further marking time until inflationary pressures are dealt with, the economic potential of the new decade is excellent. There are several forecasts which should have a substantial impact on our business and assure our viability in the Canadian credit system:

- Consumer spending on goods, services and housing will undergo the most rapid rates of advance of any time in the last three decades.
- By 1975, some 56 per cent of the Canadian population will be under 30 years of age. Through most of the 1970s, the fastest-growing group will be the 25 to 34 year olds—the largest users of credit.
- The numbers of people in the middle income ranges will increase dramatically over the next decade, particularly in the skilled and semi-skilled trades. This will increase greatly the number of people who can broaden their participation in the consumer goods market and who can and will use credit in the process.

To meet these economic growth factors, it is forecast that consumer credit outstandings in Canada will rise from approximately $10 billion at present to about $30 billion by 1980. This kind of growth will provide opportunities for all types of credit grantors, including Traders.

In presenting his budget on March 12, 1970 the Minister of Finance announced that legislation was contemplated within six weeks to two months to provide certain restrictions on consumer credit. While there is some doubt about the constitutionality of such legislation, there is no doubt that controls of the kind forecast will contribute to further unemployment and will not materially affect the inflationary spiral. Since Traders has always encouraged the purchase of consumer paper on a sound basis as to down payment and length of term, the controls, if implemented, should have only a minor effect on our volume of business.

The replacement of maturing low-interest-rate long-term issues with issues at the current rates, and the use of some additional funds, both long and short, for growth purposes may make it difficult to continue the rate of growth in earnings maintained during the last three years. We intend to do our part, as requested by the government, to keep increases in the cost of our services to the public at a minimum. Nevertheless we are planning for reasonable growth in earnings during the year 1970.

Submitted on behalf of the Board.

March 20, 1970 *President*

AUDITORS' REPORT

PRICE WATERHOUSE & CO.
P.O. Box 51
Toronto-Dominion Centre
Toronto 111

February 20, 1970

To the Shareholders of
TRADERS GROUP LIMITED:

We have examined the consolidated balance sheet of Traders Group Limited and subsidiary companies as at December 31, 1969 and the consolidated statements of profit and loss and surplus for the year then ended. Our examination of the financial statements of Traders Group Limited and the majority of its subsidiary companies included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiary companies. The assets of these companies, as included in the consolidated balance sheet, amount to 5.61% of the total consolidated assets.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co

Chartered Accountants.

TRADERS GROUP LIMITED

and subsidiary companies

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31, 1969

	1969	1968
Gross income from operations	$107,501,774	$93,812,380
Investment income	2,840,713	2,914,298
Profit on sale of securities	146,055	151,350
	110,488,542	96,878,028
Direct operating charges*	73,164,350	62,776,713
General and administrative expenses (including $284,121 remuneration of salaried directors and directors' fees —1968—$249,982)	23,048,575	21,092,000
Depreciation and amortization of fixed assets	1,427,990	1,164,281
	97,640,915	85,032,994
Profit before income taxes and minority interest	12,847,627	11,296,034
Income taxes:		
Current	5,919,420	5,982,626
Deferred	263,057	(326,597)
	6,182,477	5,656,029
Profit before minority interest	6,665,150	5,736,105
Minority interest in net profits of subsidiaries	103,875	118,020
Consolidated net profit for year	$ 6,561,275	$ 5,619,405

*Direct operating charges:

	1969	1968
Interest paid by the company on—		
Collateral trust notes—bank loans	$ 4,774,481	$ 4,900,105
—short term	4,680,138	3,711,364
—medium term	42,430	—
—long term	12,309,780	10,917,790
	21,806,829	19,517,299
Debentures	2,849,473	[illegible]
	24,656,302	22,603,601
Mortgage interest	178,396	320,181
Other interest	771,240	820,600
Cost of acquisition of borrowed money (net of discounts on purchases and redemptions—1969—$598,289; 1968—$584,169)	(83,049)	(138,177)
	25,522,889	23,474,174
Cost of sales—land development and Frankel	16,344,567	9,038,320
Insurance claims	18,073,914	17,371,531
Credit losses	5,076,694	[illegible]
Other direct charges including commissions and registration	8,146,286	8,200,433
	$73,164,350	$62,776,713

TRADERS GROUP LIMITED

and subsidiary companies

CONSOLIDATED STATEMENT OF SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1969

	1969	1968
Balance at beginning of year	$27,272,832	[illegible]
Adjustments arising during the year (Note)	(222,017)	[illegible]
	27,050,815	25,000,471
Consolidated net profit for the year	6,561,275	[illegible]
Less:		
Interest on income funding rights (net of subsidiary holdings)	8,823	8,984
Dividends on cumulative redeemable preferred shares—		
4½% (net of subsidiary holdings)	136,285	[illegible]
5%	58,298	58,298
5% convertible, Series A	471,665	409,673
$2.16, Series B	339,534	—
	1,014,605	689,197
Available for common shares	5,546,670	[illegible]
Dividends on common shares	2,659,543	[illegible]
	2,887,127	[illegible]
Balance at end of year	$29,937,942	$27,272,832

Note:

Adjustments arising during the year—

	1969	1968
Gain on disposal of land and buildings of a subsidiary company	$ —	[illegible]
Changes in holdings in subsidiaries	2,716	[illegible]
Amortization of cost of issuing Series A and B preferred shares, net of gain on redemption	(148,653)	[illegible]
Transfer to contingent reserve	(76,080)	(76,080)
	$ (222,017)	[illegible]

Consolidated surplus consists principally of retained earnings and is reduced by the net excess of the purchase price of the shares in subsidiary companies over their book value when acquired.

As a result of the redemption of preferred shares, Series A, $1,091,100 of the above surplus is designated as Capital Surplus under Section 61 of the Canada Corporations Act.

TRADERS GROUP LIMITED

and subsidiary companies

CONSOLIDATED BALAN

ASSETS	1969		1968	
CASH IN BANK		$ 3,646,896		[illegible]
NOTES AND ACCOUNTS RECEIVABLE:				
Instalment contracts	$314,320,174		[illegible]	
Interest bearing loans	116,192,743		[illegible]	
Wholesale advances	49,915,343		[illegible]	
Real property held for resale (Note 2)	2,752,074		[illegible]	
Loans to associated companies	8,003,706		[illegible]	
Accounts receivable	13,280,851		[illegible]	
	504,464,891		[illegible]	
Less—Allowance for doubtful accounts	8,368,297		[illegible]	
		496,096,594		[illegible]
INVENTORIES OF SUBSIDIARY COMPANIES (Note 3)		10,478,729		4,804,872
INVESTMENTS, AT COST (Note 4):				
Investments having a quoted market value (Indicated market value, 1969—$50,340,533; 1968—$44,065,030)	44,527,356		43,460,073	
Investments in associated companies	891,484		1,469,937	
Other investments	354,272		1,568,073	
		45,773,112		46,498,083
		555,995,331		[illegible]
FIXED ASSETS:				
Land, at cost	1,789,398		1,789,398	
Buildings and equipment, at cost	13,904,666		13,913,108	
	15,694,064		15,702,506	
Less—Accumulated depreciation	6,660,430		6,623,007	
	9,033,634		9,079,499	
Unamortized cost of assets in hands of lessees	2,006		4,171	
		9,035,640		9,083,670
OTHER ASSETS:				
Unamortized cost of borrowed money	3,764,608		3,728,746	
Unamortized cost of issuing Series A and B preferred shares	559,841		471,140	
		4,324,449		4,199,886
		$569,355,420		$534,705,434

APPROVED ON BEHALF OF THE BOARD:

R. M. WILLMOTT, *Director*

H. E. DYNES, *Director*

ET—DECEMBER 31, 1969

LIABILITIES	1969		1968	
PAYABLES:				
Accounts payable and accrued charges	$ 13,961,654		$ 9,002,874	
Wholesale due to manufacturers	5,560,054		7,523,051	
Interest accrued	3,991,057		3,990,700	
Dividends payable	978,569		[illegible]	
Income taxes (Note 5)	1,825,442		[illegible]	
Insurance claims	18,205,619		10,588,649	
Dealers' credit balances	5,544,651		6,170,777	
		$ 50,067,046		$ 41,091,884
DEFERRED INCOME TAXES (Note 5)		2,359,530		2,096,473
SECURED DEBT (Notes 6 and 7):				
Collateral trust notes—bank loans	55,769,366		50,112,680	
—short term	59,862,534		49,793,294	
—medium term	2,139,000		—	
—long term	203,310,764		[illegible]	
	321,081,664		[illegible]	
Bank loans of subsidiaries	6,364,500		[illegible]	
Mortgages and mortgage bonds	4,263,307		[illegible]	
		331,709,471		307,702,076
OTHER DEBT:				
Debentures of the company (Note 8)	44,647,500		61,148,000	
Debentures of subsidiary	972,000		1,098,000	
Short term notes payable by subsidiary	3,867,000		1,230,000	
		49,486,500		[illegible]
		433,622,547		[illegible]
UNEARNED INCOME:				
Finance (Note 9)	44,626,963		41,018,207	
Insurance	13,844,923		13,806,751	
		58,471,886		[illegible]
MINORITY INTEREST IN CAPITAL AND SURPLUS OF SUBSIDIARIES		1,110,814		1,073,616
CAPITAL AND SURPLUS (Note 10):				
Preferred shares	20,885,460		13,658,310	
Common shares	24,229,697		24,229,697	
	45,115,157		37,888,007	
Contingent reserve (Note 11)	1,097,074		1,020,894	
Surplus	29,937,942		27,272,632	
		76,150,173		66,181,533
		$569,355,420		$574,705,434

TRADERS
GROUP LIMITED

and subsidiary companies

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—DECEMBER 31, 1969

1. Subsidiary companies

The following table sets forth, as at December 31, 1969, the details of all investments in the subsidiary companies included in the accompanying consolidated financial statements.

	Effective % held by the company	Total capital and surplus of subsidiary	Investment at cost	Advances from the company
Finance Group:				
Trans Canada Credit Corporation Limited	100.00	$2,511,123	$1,010,000	$71,375,000
Traders Realty Limited	100.00	771,874	31,000	29,065,000
Traders Homeplan Limited	99.94	4,958,897	3,138,811	44,085,000
Subsidiaries—				
Traders Mortgage Company	99.16	771,002	489,512	—
Homeplan Realty Limited	99.94	47,410	3,000	—
Aetna Factors Corporation Ltd.	90.00	1,303,362	921,805	4,650,000
Traders Finance Corporation (1966) Limited	100.00	981	23	317,000
Traders Properties (Church St.) Limited	100.00	5,000	5,000	1,263,605
Domac Realty Limited	100.00	397,094	324,656	—
Sudbury Garage Properties Limited	100.00	26,652	40,800	—
Forest Glenn (Dixie) Limited	100.00	1,240,665	275	—
Subsidiary—				
Greenway Homes Ltd.	70.00	10	7	—
Traders Developments Limited	100.00	(1,004)	520	—
Subsidiaries—				
Traders Developments (Kitchener) Limited	80.00	16,717	400	—
Traders Developments (Windsor) Limited	100.00	56,365	500	—
Traders Developments (Oshawa) Limited	100.00	264	996	—
Insurance Group:				
Traders General Insurance Company	98.84	3,728,772	1,448,564	—
Canadian Insurance Shares Limited	97.61	2,322,108	1,287,456	—
Subsidiaries—				
Canadian General Insurance Company	95.05	8,350,915	1,030,744	—
Toronto General Insurance Company	92.65	6,697,464	813,725	—
Frankel Group:				
Frankel Steel Construction Limited and subsidiaries	100.00	5,592,377	3,940,638	—

2. Real property held for resale

These properties were acquired as a result of foreclosure action on loans in default and are valued at the lower of the principal balance of the loan at the date of foreclosure or the estimated realizable value for each property.

3. Inventories of subsidiary companies

Frankel Group—	
Contracting materials at the lower of average cost or replacement cost	$ 2,089,361
Estimated value of jobs in progress, less progress billings	4,063,969
	6,153,330
Finance Group—	
Inventory of land under development, at cost including carrying charges	4,325,399
	$10,478,729

4. Investments, at cost

	Cost	Quoted Market Value
Investments having a quoted market value:		
Held by Traders Group Limited		
Guaranty Trust Company of Canada, 706,200 shares	$ 5,375,045	$ 7,768,200
Cadillac Development Corporation Limited, 1,519,943 common shares	1,060,850	9,689,624
Other	200,000	140,000
Held by Insurance Group	37,891,461	32,742,709
	$44,527,356	$50,340,533
Investment in associated companies:		
Equity in partnerships	$ 377,628	
Other	513,856	
	$ 891,484	

5. Income taxes

Deferred income taxes

Finance and Frankel Groups:

Deferred income taxes arise when accounting income exceeds taxable income as a result of the inclusion of revenue and expense items in taxable income in periods other than those in which they are included in income for accounting purposes.

Insurance Group:

Consistent with prior years and practice in the general insurance industry, no provision has been made for deferred income taxes on unearned premiums of the insurance group which are carried at approximately 80% of the amount permitted for income tax purposes.

Income taxes payable

Income tax expense for the year has been reduced by $173,000 as a result of loss carry-forward provisions of income tax legislation.

6. Collateral Trust Notes

(a) Bank loans:

Series C and CC notes to secure demand bank borrowings are issued and cancelled from time to time in such amounts as are required—

Series C notes		$48,750,000
Series CC notes in United States funds	$ 6,500,000	
Exchange at balance sheet date on Series CC notes	519,366	
		7,019,366
		$55,769,366

(b) Short term notes:

Canadian funds		$59,665,300
United States funds	$ 184,900	
Exchange at forward contract rates	12,334	
		197,234
		$59,862,534

(c) Medium term notes:	$ 2,139,000

(d) Long term notes:

Series	Rate and Maturity			Maximum annual purchase fund	Issued	Balance outstanding
R	4½%	April	15, 1970	$ —	$10,000,000	$ 10,000,000
S	4½%	April	1, 1976	—	10,000,000	10,000,000
T (1)	4¾%	May	1, 1971	—	10,000,000 U.S.	9,925,844
V (1)	5⅜%	May	1, 1977	—	10,000,000 U.S.	9,533,529
W	5¾%	June	15, 1972	—	2,000,000	2,000,000
X	5¾%	April	1, 1979	—	7,500,000	7,500,000
Y	5¾%	September	15, 1981	375,000	15,000,000	12,986,000
Z	5¾%	April	15, 1983	250,000	10,000,000	9,323,500
AA (2)	5¼%	May	15, 1983	250,000 U.S.	10,000,000 U.S.	9,677,321
AB	5¾%	May	1, 1984	250,000	10,000,000	9,227,000
AC	5¾%	September	15, 1984	375,000	15,000,000	13,422,500
AD	5¾%	April	15, 1985	375,000	15,000,000	13,848,000
AE (1)	6¼%	April	1, 1986	—	12,500,000 U.S.	13,457,226
AF (3)	6¾%	June	15, 1981	250,000	10,000,000	9,250,000
AG	7¾%	December	1, 1970	—	4,850,000	4,850,000
AH	7¾%	December	1, 1986	78,750	3,150,000	2,949,000
AI (1)	7¼%	July	1, 1987	—	17,700,000 U.S.	19,034,156
AJ	7¾%	September	15, 1987	125,000	5,000,000	4,750,000
AK (1)	8%	December	1, 1988	—	15,450,000 U.S.	16,576,688
AL (4)	8¾%	December	15, 1973	—	7,500,000	7,500,000
AM (5)	9¾%	December	15, 1974	—	7,500,000	7,500,000
				$2,078,750 Cdn.		$203,310,764
				$ 250,000 U.S.		

(1) Payable in United States funds and the balance outstanding is the Canadian funds received at date of issue.

(2) Payable in United States funds and the balance outstanding is the Canadian funds equivalent at the rate of exchange at date of issue. $1,000,000 U.S. has been repaid through the operation of the purchase fund.

(3) With warrants exercisable to June 15, 1976 to purchase Class A common shares at the rate of 20 such shares per $1,000 principal amount of Series AF notes, at the price of $13 per share.

(4) Exchangeable at the option of the holder after June 15, 1973, and prior to their maturity for 8¾% Collateral Trust Notes, Series AL, maturing December 15, 1988.

(5) Exchangeable at the option of the holder after December 15, 1973, and prior to June 15, 1974 for 9¾% Collateral Trust Notes, Series AM maturing December 15, 1989.

7. Mortgages and mortgage bonds

The mortgages and mortgage bonds, secured on certain real property of the company and its subsidiaries, bear interest rates from 4% to 8% and mature at various dates from 1970 to 1983 inclusive.

8. Debentures of the company

	Rate and Maturity		Annual sinking fund or maximum annual purchase fund	Issued	Balance outstanding
Sinking fund					
4¾%	March	15, 1971	$ 150,000	$ 6,000,000	$ 4,050,000
5%	September	15, 1972	125,000	5,000,000	3,375,000
5¾%	March	1, 1973	150,000	6,000,000	4,200,000
5¾%	October	15, 1974	125,000	5,000,000	3,625,000
6¾%	April	15, 1975	150,000	6,000,000	4,675,500
			700,000		

Rate and Maturity		Annual sinking fund or maximum annual purchase fund	Issued	Balance outstanding
Purchase fund				
6%	October 15, 1982	$ 225,000	$ 7,500,000	$ 6,533,500
6%	November 1, 1984	180,000	6,000,000	5,395,500
6%	June 1, 1985	120,000	4,000,000	3,700,000
6½% (1)	November 15, 1970	300,000	10,000,000	9,093,000
		$1,525,000		$44,647,500

(1) With warrants exercisable to November 15, 1972 to purchase Class A common shares at the rate of 25 such shares per $1,000 of principal amount of debentures, at the price of $15 per share.

9. Unearned Finance Charges

Unearned finance charges on instalment contracts are computed by the sum of the digits method presuming contracts to be purchased at the middle of each month, less an allowance for acquisition costs. The allowance for acquisition costs on instalment contracts affected has been reduced so that the relevant unearned income will be sufficient to provide for prepayment rebates in accordance with Consumer Protection legislation enacted by various provinces.

10. Capital

	Authorized		Issued	
	Shares	Amount	Shares	Amount
Cumulative redeemable preferred shares:				
4½% preferred shares of $100 par value	35,000	$ 3,500,000	35,000	$ 3,500,000
Less—Held by subsidiaries			5,022	502,200
			29,978	2,997,800
5% preferred shares of $40 par value	125,000	$ 5,000,000	125,000	5,000,000
Less—Converted to Class A common shares, in prior years			95,851	3,834,040
			29,149	1,165,960
Preferred shares issuable in series with a $30 par value . . .	800,000	$24,000,000		
Series A, 5% convertible preferred shares (1)			350,000	10,500,000
Less—Cancelled by purchase or conversion (of which 9,095 shares were purchased during the year) . . .			42,610	1,278,300
			307,390	9,221,700
Series B, $2.16 preferred shares issued for cash on May 15, 1969 (2)			250,000	7,500,000
				$20,885,460

(1) Convertible on the basis of two Class A common shares plus $2.00 for each Series A preferred share held up to the expiry of the conversion privilege on October 1, 1971.

(2) With warrants exercisable to October 31, 1979 to purchase one Class A common share at $13 for each Series B preferred share held.

The terms of issue of the Series A and Series B preferred shares include provisions by which the company is to provide (subject to certain conditions) the following purchase funds for the purchase for cancellation of these preferred shares:

	Maximum purchase price per share	Annual purchase fund
Series A (commencing 1966)	$28	$210,000
Series B (commencing 1970)	30	150,000

	Authorized	Issued Shares	Issued Amount
Common shares, without nominal or par value—			
Class A	6,000,000	3,712,571	$23,749,697
Class B	720,000	720,000	480,000
		4,432,571	$24,229,697

Class A common shares reserved for issue:

	Expiry date	Price	Number of Class A common shares reserved
Upon conversion of Series A preferred shares	October 1, 1971	$16	614,780
On exercise of stock purchase warrants—			
Issued in 1965 with 6½% Debentures due November 15, 1970	November 15, 1972	15	250,000
Issued in 1966 with Series AF Collateral Trust Notes due June 15, 1981	June 15, 1976	13	200,000
Issued in 1969 with Series B preferred shares	October 31, 1979	13	250,000
			1,314,780

Income funding rights:

There are outstanding 13,653 Series A and 6,171 Series B income funding rights (of which 11,551 are held by subsidiaries) with a total aggregate face value of $507,287. Non-cumulative interest at the rate of $1 per annum per right is payable out of the net profits of each fiscal year or to the extent that such profits are available before payment of dividends on the preferred shares. In the event of liquidation, the income funding rights rank after the 4½% cumulative redeemable preferred shares but in priority to all other preferred shares and to the common shares.

11. Contingent Reserve

	December 31 1969	December 31 1968
Finance Group		
Provision for possible net exchange losses on Series T and Series V collateral trust notes repayable in United States funds, arising from devaluation of the Canadian dollar in 1962—		
Balance beginning of year	$ 659,994	$ 583,914
Add—Transfer from earned surplus for the year	76,080	76,080
	736,074	659,994
Insurance Group		
Contingent reserve of insurance subsidiaries	361,000	361,000
Balance at end of year	$1,097,074	$1,020,994

12. Contingent Liabilities

As at December 31, 1969 the company and its subsidiaries in the normal course of business have guaranteed letters of credit for customers and associated companies in the aggregate amount of $6,098,629.

The company is also guarantor in the amount of $1,719,446 with respect to first mortgage advances by the principal lender on joint mortgages in which the company and certain subsidiaries participate.

Under mortgage actions, a subsidiary of the company obtained orders of foreclosure in 1968 on certain properties. On a motion by the debtor to set aside the foreclosure orders, judgment was obtained in favour of the subsidiary and the judgment was upheld on appeal. The debtor has lodged an appeal in this action to the Supreme Court of Canada. The same debtor has sued the subsidiary and the company for unspecified damages in connection with other properties. In the opinion of the company's counsel it is unlikely that the debtor will receive any significant recovery.

13. The premises formerly occupied by a subsidiary company were expropriated by the Municipality of Metropolitan Toronto and possession was given in October 1963. Pending settlement of the company's claim against the municipality, expenses attributable to the move to new premises have been deferred and no adjustment has been made for the cost of fixed assets which could not be moved and which have been replaced at the new premises.

14. It is not considered meaningful to include a statement of source and application of funds due to the nature of the company's business.

EXPLANATION OF BALANCE SHEET

The following information on certain items supplements the Notes to the Consolidated Financial Statements. All amounts quoted are in thousands of dollars. Additional information on maturities of operating assets and liabilities and an analysis of notes and accounts receivable is shown on page 28.

ASSETS

NOTES AND ACCOUNTS RECEIVABLE

Instalment Contracts

Traders Group Limited	$215,416
Trans Canada Credit Corporation Limited	59,493
Traders Homeplan Limited	39,411
	$314,320

Outstanding balances which included finance charges, arose principally on the purchase of instalment sales obligations resulting from sales of automobiles, trucks, industrial and commercial equipment, and other durable goods.

Interest Bearing Loans

Finance Group—	
Traders Group Limited	$18,746
Trans Canada Credit Corporation Limited	28,999
Traders Realty Limited	16,772
Traders Homeplan Limited	363
Traders Finance (1966) Limited	306
Homeplan Realty Limited	21,037
Traders Mortgage Company	2,127
Aetna Factors Corporation Ltd.	20,281
Domac Realty Limited	3,624
Forest Glenn (Dixie) Limited	344
Traders Developments (Kitchener) Limited	681
Traders Developments (Windsor) Limited	292
	113,572
Insurance Group	2,621
	$116,193

The outstanding balances are loans on which interest is charged monthly and include mortgage loans of $31,023. Homeplan Realty Limited takes mortgage security when financing major home improvements, rural and vacation homes. Domac Realty Limited took back mortgage receivables from the purchasers on the sale of its revenue producing properties. The balance of the mortgage receivables in the Finance Group are mortgages on land and buildings and for the Insurance Group are N.H.A. mortgages.

Wholesale advances

Traders Group Limited	$ 49,249
Trans Canada Credit Corporation Limited	3
Traders Realty Limited	663
	$ 49,915

Advances which arose from the financing of dealer inventories of durable goods and included $5.6 million not due for payment by dealers to manufacturers at the balance sheet date. See "Wholesale due to Manufacturers" on page 18.

Loans to associated companies

Loans to associated land development companies are secured on real property.

Accounts receivable

Finance Group —wholesale finance charges and sundry accounts receivable	$ 1,903
Insurance Group—premiums due from agents	6,771
Frankel Group —trade accounts	4,607
	$ 13,281

Allowance for doubtful accounts

Finance Group	
Traders Group Limited	$ 4,078
Trans Canada Credit Corporation Limited	2,524
Traders Realty Limited	315
Traders Homeplan Limited	294
Traders Mortgage Company	37
Homeplan Realty Limited	149
Aetna Factors Corporation Ltd.	808
	8,205
Insurance Group	60
Frankel Group	103
	$ 8,368

These amounts are considered adequate to meet credit losses and were based on a systematic review of all accounts by management.

FIXED ASSETS

Land, buildings and equipment

	Cost				
	Land and Buildings	Equipment	Total	Accumulated Depreciation	Net Book Value
Finance Group	$3,402	$4,256	$ 7,658	$3,304	$4,354
Insurance Group	2,421	1,081	3,502	722	2,780
Frankel Group	1,200	3,334	4,534	2,634	1,900
	$7,023	$8,671	$15,694	$6,660	$9,034

Unamortized cost of assets in hands of lessees

The cost of these assets is amortized in full over the term of each individual lease.

OTHER ASSETS

Unamortized cost of borrowed money

The discount or commission on each issue of long term collateral trust notes or debentures and on each short term or medium term note is amortized over the term of the issue or note. On prepayment, unamortized discount is written off.

Unamortized cost of issuing Series A and B preferred shares

The cost of issuing the Series A and B preferred shares is being amortized to surplus over six years from October 1, 1965 and May 15, 1969, their respective dates of issue. The appropriate unamortized cost is written off to surplus on conversion, purchase or redemption.

LIABILITIES

PAYABLES

Accounts payable and accrued charges

Finance Group	$ 9,145
Insurance Group	1,627
Frankel Group	3,190
	$ 13,962

The major portion of the Finance Group total is balances of factored accounts payable to clients. The remaining balances are ordinary accounts payable and accrued charges.

Wholesale due to manufacturers

Amounts due for payment in 1970 to manufacturers for stock in hands of dealers at December 31, 1969. See "Wholesale Advances" on page 17.

Insurance claims

Liability for outstanding insurance claims based on a detailed review of open claim files and a provision for late reported claims.

Dealers' credit balances

Amounts owing to dealers which will be paid to them or applied in settlement of amounts owing to the company.

SECURED DEBT

Collateral trust notes

The collateral trust notes are secured by (a) a first fixed and specific mortgage and charge of and upon instalment obligations and/or approved securities and by (b) a first floating charge on the undertaking and other property and assets of the company.

Bank loans of subsidiaries

Aetna Factors Corporation Ltd.	$ 2,495
Traders Mortgage Company	1,471
Frankel Group	2,150
Other	248
	$ 6,364

These loans are made to the above subsidiaries and are secured by receivables and other similar assets of the subsidiaries.

Mortgages and mortgage bonds

Mortgages payable on land under development		$ 1,888
Mortgages payable on land and buildings owned and occupied by the companies		
Finance Group	$ 644	
Insurance Group	1,312	
Frankel Group	419	2,375
		$ 4,263

OTHER DEBT

Debentures of subsidiary

The outstanding balance of an issue made by Traders Homeplan Limited prior to its acquisition by Traders

Notes payable by subsidiary

Short term notes of Aetna Factors Corporation Ltd.

UNEARNED INCOME

Finance charges

	% to Instalment contracts outstanding	
Traders Group Limited	10.7	$ 23,105
Trans Canada Credit Corporation Limited	18.1	10,760
Traders Homeplan Limited	26.9	10,600
Deferred profit on land sales		162
	14.2	$ 44,627

The unearned finance charges will be taken into income in the future as instalments are due.

CAPITAL AND SURPLUS

Common shares

	In Canada	Non-Resident	Total
Number of Shareholders	13,573	577	14,150
Percentage	96	4	100

1969 CONSOLIDATED ASSETS
BY MAJOR PORTFOLIOS
in millions of dollars & percentage of total

AUTOMOBILE FINANCING	$158	28%
INDUSTRIAL FINANCING	$94	17%
DIRECT CASH LENDING	$87	15%
HOME IMPROVEMENTS	$63	11%
INSURANCE GROUP	$54	9%
MORTGAGE LOANS & LAND DEVELOPMENT	$35	6%
NON-AUTO CONSUMER FINANCING	$31	5%
FACTORING	$20	4%
INVESTMENTS & OTHER	$15	3%
FRANKEL GROUP	$12	2%
TOTAL	$569	100%

Finance Group

For the past three years, the Finance Group has followed a marketing and management strategy which has permitted excellent progress in a difficult financial period. When the Finance Group was organized on its present basis, it was with the anticipation that "tight money" developing in 1965-66 was temporary. It has, of course, proven otherwise. Growth funds have been minimal and, where available, costly.

In the same period, the competitive structure of the Canadian consumer credit market has been felt more strongly:

1. There has been a significant growth in the cash credit market as opposed to our traditional vendor credit market. The aggressive activities of the chartered banks in consumer lending, combined with their built-in pricing advantages, had a major effect on this trend.

2. During the period that business volume growth in the Finance Group has been restricted by money market conditions, the sales finance subsidiaries of the major automobile manufacturers have been better positioned in the marketplace because of their U.S. parent relationship. This has also been largely true for the Canadian subsidiary operations of U.S. finance companies.

3. Credit unions, because of their preferred and special income tax advantage and ability to take deposits, have had spectacular growth.

Notwithstanding these conditions, the Finance Group in 1969 continued its upward trend in profitability. In 1967 the Finance Group held 90% of the corporate assets and their contribution to consolidated net profit amounted to 45%. As at December 31, 1969, the Finance Group was responsible for 88% of corporate assets and the contribution to consolidated net profit was 75% of the total. Without a substantial improvement in the availability of funds, the finance portfolios are approaching a period of more moderate profit improvement.

The 1969 performance was achieved under the pressure of inflationary money costs on one hand and the inability to pass on the full impact of such increases to the public for competitive reasons and, more recently, as the finance industry voluntarily conformed with government anti-inflationary policy. Monetary conditions have also called for a flexible funds allocation policy in the Finance Group. The policy is based on maximizing portfolio yields and lessening our vulnerability on the performance of any one market.

As we look now to the 1970s, the management of the Finance Group must deal with change in marketing direction, recognizing the implications for the future of several trends now very obvious in the consumer credit field; namely:

- bank exploitation of the credit card market;
- expansion of trust companies in the lending field;
- merger of and acquisition by various types of financial services companies;
- diversification by financial institutions outside of their traditional fields.

There is need to find some new approaches in financial marketing. Most financial institutions today are focusing attention on the basic marketing problem that concerns Traders: how best to adapt traditional and new credit services so as to achieve a more efficient and economical operation and a more competitive marketing thrust. The answer to this problem will not come overnight; rather it will evolve as we proceed to research potential new product

areas for the various divisions. To this end, we have already developed a number of new services associated with the largest financial portfolio and are ready to launch them as soon as growth funds to the Finance Group become available in sufficient volume.

For the present, it is clearly apparent that until inflation in money costs is firmly under control and the availability of borrowing funds returns to normal, the Finance Group will concentrate on deriving maximum return on investment from its established services, marketed through specialized divisions.

The attention paid to our industry by the federal and provincial levels of government in 1969 was welcomed. It was a recognition that we play a vital and continuing role within the financial system of Canada. For our part, we are taking every opportunity to meet and work with legislators and contribute as best we can to the formulation of government policy that is compatible politically and workable to the finance industry. In a positive way, we believe this improved relationship with government will benefit not only our customers, but also our employees and shareholders in the sense of giving assurance that in the tremendous expansion envisioned for Canada in the '70s, finance companies will continue to be major components of our credit system.

Consumer Financing Division

	1969	1968
Outstanding Retail		
—Consumer portfolio . . .	$127.7 million	$130.5 million
—Industrial portfolio . . .	43.8 million	39.6 million
	$171.5 million	$170.1 million
No. of Branches . .	79	84
Retail Receivables as % of Total Consolidated Assets .	30.1	31.8

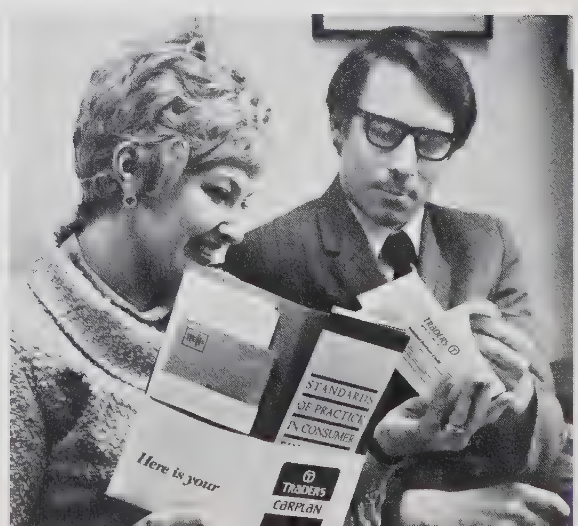
The company's largest division had an excellent year in 1969, despite the inflationary impact on administrative expenses and the cost of money to the division. Net operating profit, after tax, in 1969 was up 41% to $1,497,000, compared with $1,063,000 in 1968.

The division placed extra stress on improving "return on investment" by increasing yield standards and by managing its various portfolios to achieve a more profitable mix of business. This action helped to offset the substantial increase in money costs in 1969.

Quality dealers and sound credit granting produced record profit performance by consumer division in 1969.

Eight out of 10 automobiles in Canada are financed.

Thank you for dealing with Traders...



At the same time, the division accelerated a management program to reduce fixed costs by eliminating marginal or non-profitable branches.

The results of these management actions were as follows:

- volume of retail business increased slightly while the total of all funds invested decreased by 5%;
- gross yields on funds employed increased by 9%;
- branch operating costs reduced 4.4%.

While the division was required to decrease its total funds in use by $12 million, it was successful in maintaining its level of outstandings on retail business which increased slightly from $170.1 million in 1968 to $171.5 million in 1969.

For the past two years, the division has adhered to a stringent credit granting policy. Again in 1969 this was successful in producing improved ratios as to arrears, repossessions and losses.

- retail arrears reduced from the record low of 3.5% in 1968 to 2.7% in 1969;
- repossessions outstanding decreased by 27% in 1969, achieving the lowest level since the division was established;
- total credit loss expense was maintained at below 0.5% of outstandings.

In 1969, the division established a product development group to examine new finance services and avenues of expansion for existing ones. Several new "product packages" have been developed to ensure the division of profitable growth possibilities when monetary conditions permit the full development of these opportunities.

Considering the present profitability and operating performance levels of the division, it is expected that future improvement will be at a more moderate rate. Major gains in the future will only be attained with improvement in the over-all economic climate.

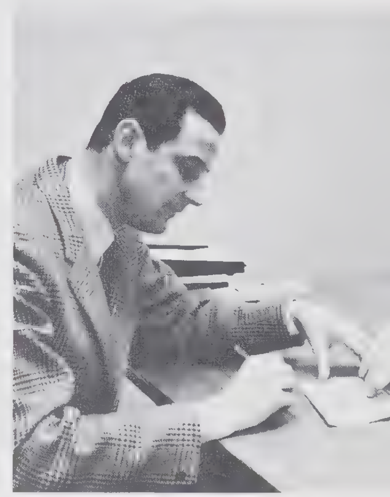
Personal Loan Division

	1969	1968
Outstandings	$88.5 million	$74.5 million
No. of Branches . . .	122	112
Receivables as % of Total Consolidated Assets .	13.5	13.9

Customer accounts reached a record high in Trans Canada Credit Corporation in 1969.

But . . . in the mutual interest of the customer and the company, Trans also turned down or deferred 50% of credit applications received last year.

Doing business with responsible customers gave Trans Canada Credit its first "million dollar" profit year in 1969.



Trans Canada Credit Corporation Limited, the personal loan subsidiary of Traders Group Limited, maintained a growth momentum through much of 1969. During the latter months of the year, a planned slowdown in branch openings and growth was implemented in response to money market conditions and the federal government's request for restraint in credit granting.

For the year 1969, outstandings rose by $14 million, an increase of nearly 19% over 1968. The number of customer accounts at the year-end was at a record high of 108,200, an increase of 10,000 during the 12-month period.

Expanded volume and sound management earned the division its first "million dollar year" as net profit, after tax, in 1969 reached $1,152,000, compared to $888,000 in 1968—an increase of more than 29%.

Contractual arrears ran at under 7% in 1969, up very slightly over 1968 due to labor strikes in such key markets as Sudbury, Hamilton and Sault Ste. Marie. In spite of this, the division's recency of payment summary, which

denotes balances of items on which no payment has been made in six months, remained through the year at a constant 0.26%.

Management actions contributing to the division's continued progress, included:

- general administrative expenses maintained at 34% of gross income, even though 10 new branches were opened during the year;
- dollar outstandings per employee and number of accounts handled per employee were increased substantially during this period.

To ensure the quality of the portfolio, bad debts which showed more than six months recency of payment were automatically treated as a write-off. In line with this policy and economic conditions generally, the division increased its bad debt reserve by $564,400 from 2.6% of receivables in 1968 to 2.85% in 1969.

Trans Canada Credit Corporation is now firmly established on a profit-making basis and is structured to react quickly to opportunities in the marketplace.

In 1968 the Homeplan Division established a wholly owned subsidiary, Homeplan Realty Limited, to enable the division to take mortgage security on the financing of home improvements, as well as rural and vacation homes. As a consequence, in 1969 a major portion of the division's portfolio was handled through mortgages due to the growth in the vacation and rural home market that is served through lumber dealers and pre-fabricators.

The build-up in mortgage security resulted in lower earnings for the division in 1969, due to the fact that no acquisition income is taken on mortgage paper. This means that more revenue will be available from this paper in future years and, therefore, the lower earnings from it in 1969 are temporary. Net profit, after tax, was $286,000 in 1969, compared with $317,000 in 1968—a decrease of 10%.

In line with rising money costs to the division, a moderate rate increase was implemented on all types of loans in 1969 which had the effect of giving the division a small increase in gross yields on funds invested.

Homeplan Division

	1969	1968
Outstandings	$63.1 million	$56.5 million
No. of Branches	21	20
Receivables as % of Total Consolidated Assets	11.0	10.6

Homeplan brings leisure living to more Canadians.

"Package financing"—covering workmanship, materials, sub-trades—is a specialty of Traders Homeplan.

Sold!

Throughout the year under review, management was successful in maintaining high operational standards, as evidenced by:

- delinquency rate was maintained at the low level of 2.1% of outstandings;
- net write-offs in 1969 amounted to $166,000, compared with $243,000 in 1968—an improvement of about 31%;
- branch expenses were maintained at a low level and the resulting percentage of branch expenses on average funds in use decreased from 3.2% in 1968 to 2.9% in 1969;
- bad debt reserve was built up from 0.6% of outstandings in 1968 to 0.7% in 1969.

During 1969, the division launched a marketing test to better serve its lumber dealers. The initial results are favorable and further testing will continue.

Industrial Financing Division

	1969	1968
Outstandings		
—Industrial Branches . . .	$52.1 million	$41.5 million
—Co-ordinated Consumer Branches . . .	43.8 million	39.6 million
	$95.9 million	$81.1 million
No. of Industrial Branches . . .	11	9
No. of Co-ordinated Branches . . .	66	71
Receivables as % of Total Consolidated Assets .	16.8	15.2

Total industrial financing volume handled by both industrial and consumer division branch offices was $74.9 million in 1969, up more than 29% over 1968. Last year, the Industrial Financing Division opened branches in Thunder Bay, Ontario and Regina, Saskatchewan, as part of a long-range program now being implemented to provide specialized industrial financing services in key economic centres across Canada.

Steps were also taken to provide for increased co-ordination between purely industrial financing branches and the 66 Consumer Division branches which offer local industrial

A major growth market—industrial or commercial financing of revenue-producing equipment.

Businessmen deal with financial specialists when they come to Traders.

With capital and counsel, Traders helps another Canadian businessman.

financing services. This co-ordination is proving beneficial in servicing national and provincial equipment manufacturers and distributors more effectively.

Increased money costs to the division and certain write-offs of business no longer considered collectible had an adverse impact on the division's profitability. Offsetting this were improved operating results:

- gross yields were up 18% over 1968;
- receivables of the specialized industrial financing branches increased $10.8 million or 26% over 1968;
- bad debt reserve was increased by $94,000 which maintained a level of 1.5% of outstandings.

The condition of the division's receivables, arrears, repossessions and exposures continue to reflect high quality standards and to be well above those of the industry.

The division is in a strong position for improved earnings growth in 1970.

Realty and Mortgage Division

Realty Lending—Traders Realty Limited

Traders Realty Limited, the subsidiary engaged in commercial mortgage lending and interim financing, recorded profit available to the parent company in 1969 of $233,325, as compared to a 1968 loss of $161,485.

Major factors contributing to the profit improvement in 1969 were:

- the development of a number of previously foreclosed properties;
- the sale, with appreciable recoveries, of other lands;
- over-all improvement in the yield on the portfolio;
- a substantial improvement in the currency of loans in this portfolio;
- the balance outstanding in properties held for resale was reduced from $5,201,572 to $1,590,743.

Commencing in April, 1969, the scope of Traders Realty Limited's financing was largely limited to mortgage loans for subsidiary land development companies. Future profit contribution from mortgage loans will be directly related to the resumption of lending in the retail interim and commercial mortgage financing field.

Land Development

Land development projects continue to be widely diversified geographically throughout Canada and during 1969 were further expanded by acquisitions. Operations which are conducted through two major holding companies, Traders Developments Limited and Forest Glenn (Dixie) Limited, and various subsidiaries continue to record very satisfactory contributions to earnings. Consolidated five-year profit, after tax, figures are as follows:

1969	1968	1967	1966	1965
$325,084	$303,049	$285,020	$280,509	$172,194

The initial phases of developments in Kitchener and Windsor are substantially sold and residential construction is under way in the company's subdivisions in both cities. Traders Developments (Oshawa) Limited was es-

A major project for both Traders Group and Frankel Steel in 1969 was construction for Montrad Ltd., the joint venture development company of Traders Group Limited and Montreal Trust Company, of the 10-storey office tower at the giant Alexis Nihon Plaza in Montreal. "Topping off" ceremonies for the steel framework took place recently.

Present were, left to right: D. W. Naylor, executive vice president of Traders and chairman of the board, Montrad Ltd.; E. L. Hartley, president, Frankel Steel Construction Limited; J. H. Baker, assistant general manager, Montreal Trust and president of Montrad; T. A. Somerville, president, E. G. M. Cape, general contractor.

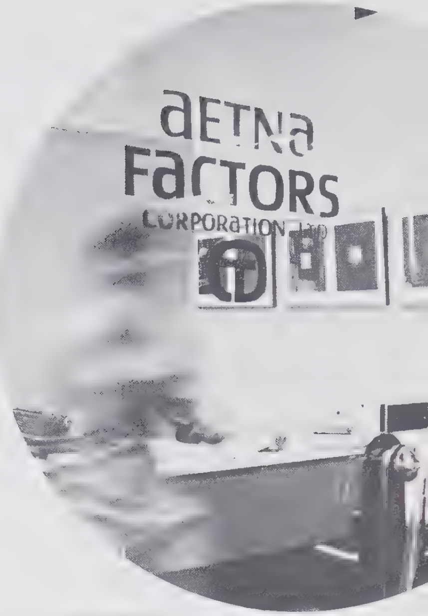
tablished in July, 1969 to develop a residential subdivision on a 40-acre parcel in that Ontario city. Preliminary plans are now being reviewed with various municipal departments with a view towards early registration of plans.

In Edmonton, an initial development comprising 133 acres, which produced 462 lots, is largely built out. During the year, new properties, consisting of 198 acres, were added to existing holdings of 246 acres. This land is located in a section of the city currently undergoing detailed planning and development is expected to commence in the latter part of 1970.

During 1969, builders experienced increased difficulty in arranging house mortgages and buyer resistance to prevailing high interest rates on conventional mortgages resulted in a reduced rate of sales. The continuance of high rates is inconsistent with the demand and need for housing throughout the country. There is little relief in sight and this factor, together with further restricted availability of single and multiple family residential mortgages at economic rates, will continue to depress the housing market. This is already evident in certain regional reductions in housing starts to date in 1970.

Traders land development subsidiaries have always followed a conservative method of reporting income from the sale of properties. These methods are consistent with the 1969 guidelines of the Ontario Securities Commission.

Studies are being conducted on the feasibility and profit potential of development opportunities in a number of other areas. Also under consideration are the economics of the retention of commercial, industrial and multiple family residential properties for the construction of income-producing structures.



Aetna, Canada's largest factor, specializes in financing accounts receivable of businesses, both domestic and foreign. In 1969, volume, assets and profits set new records.

Textile industry is major user of factoring services.

Montrad Ltd.

On January 1, 1969, to facilitate further development, ownership of the rights of the previous lessee and the buildings which comprise the Alexis Nihon Plaza in Montreal was purchased by Montrad Ltd., a joint venture company of Traders Group Limited and the Montreal Trust Company. An apartment building, comprising 427 apartment suites, known as Plaza Tower, is nearing completion and advance suite rentals are proceeding satisfactorily. Recently, the structural steel frame of the 10-storey office building, fabricated by Frankel Steel, was topped-off with final completion of that building scheduled for October, 1970. Both of these structures rise above the existing Plaza complex. Retail space is now 96% rented with negotiations under way for the balance. While 1969 saw substantial improvement in Plaza retail and parking revenues, operating losses will be incurred by Montrad Ltd. until occupancy of the apartment and office buildings is largely completed.

Aetna Factors Corporation Ltd.

Aetna, the company's Montreal-based subsidiary, which specializes in the factoring and servicing of accounts receivable and in guarantee and letter of credit financing, again established new records in most areas of its operations.

- Volume of receivables processed rose to $152.3 million, up 12.8% on the year, while gross revenue increased to $3.04 million from $2.34 million.

- Profit increased to $411,775, up 9.1% from $377,392 in 1968, after taxes and after increased provision for specific and general reserves.
- Total assets at December 31, 1969, stood at $19.5 million, a 47% increase from the previous year.

Management successfully allocated its resources to contain controllable expenses, with the exception of those costs related to borrowed funds. Emphasis was also placed on expansion of letter of credit and guarantee financing. These portfolios do not utilize money and thus funds made available from the increased lines of credit made available during the year by the banks and the parent company permitted growth in selected portfolios.

	1969	1968	1967	1966	1965
Volume of receivables processed (in millions)	$152.3	$135.0	$113.9	$104.2	$100.9
Profit, after tax (in thousands)	$412	$377	$277	$171	$115

Aetna's membership in Factors Chain International has already resulted in the acquisition of new business. Equally important, the association has generated referrals from domestic clients for a wide range of services provided by the company.

Markets continue to expand and Aetna's profit contribution to the parent should grow in direct proportion to available funds.

Insurance Group

Canadian General Insurance Company

Toronto General Insurance Company

Traders General Insurance Company

The total assets of the companies in the Insurance Group reached a record high of $54.8 million in 1969. Also at a record level was the volume of the automotive, property and casualty portfolio, which totalled $32.5 million in 1969, a gain of 3% over 1968, on premiums written through the independent agency system.

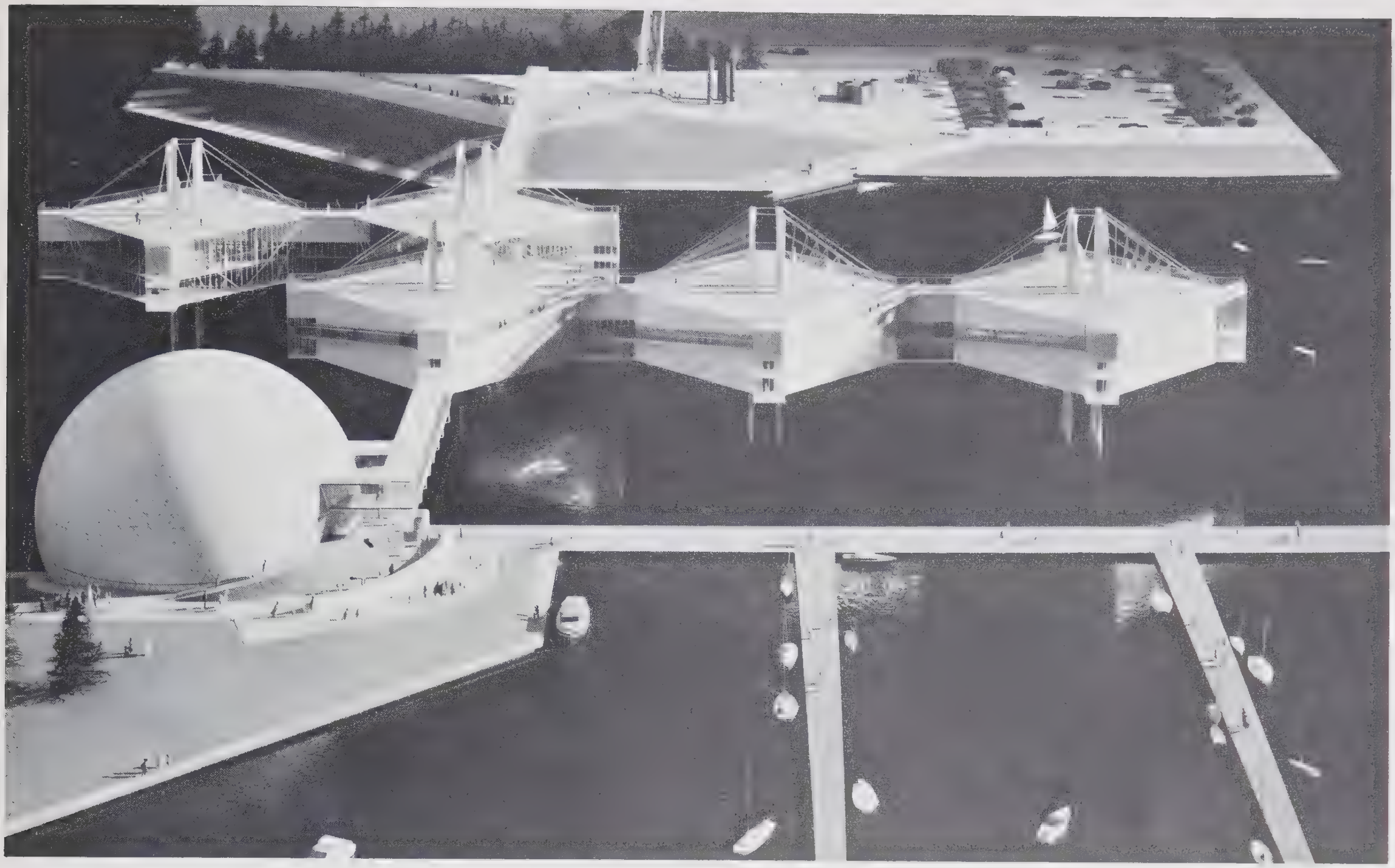
The Insurance Group returned an operating profit, after tax, of $1.1 million in 1969. This includes $146,000 profit on the sale of investments.

The average return on capital employed over the past five years is 8.82%. Capital and surplus in the same period increased from $14.3 million to $18.8 million in 1969. The three companies which make up the Insurance Group held their position in the insurance industry and still rank fourth in Canada among purely domestic insurance companies.

Early in 1969, it was anticipated that the year would be a difficult one for profitable underwriting of automobile insurance. It was concluded that the competitive situation on rates of commission payable to agents, combined with an inadequate trend in the rate level charged by our principal competitors, mitigated against substantially increasing the automotive portfolio volume. This was supported early in the year under review by the upward trend in accident frequency and in dollar cost per claim. This trend continued throughout the year and underwent a significant rise in the last quarter.

The serious inflation of the past several years has probably affected the general insurance industry as seriously as any other industry. Clearly, the trend factors applied by the industry to the rate-making process have been insufficient.

The Insurance Group is not immune to the problems facing the insurance industry. Increased loss ratio is a reflection of worsening trends in frequency and severity of claims in both auto and fire insurance. The insurance market continues highly competitive and there are no signs at this time that suggest an early return by the industry to substantial underwriting profits. The Insurance Group will, as a consequence, adhere to sound underwriting principles, rather than emphasizing building volume. On this basis, it is anticipated the Insurance Group's 1970 results will be satisfactory, both in terms of growth and profitability.



Frankel won $1.4 million steel contract in 1969 for Ontario Government's Toronto lakeshore tourist complex, "Ontario Showcase".

Frankel Group

The consolidated results of Frankel Steel Construction Limited and its wholly owned subsidiary Frankel Structural Steel Limited, combining the structural steel and formwork operations of these companies, produced a net profit, after tax, available to the parent company in 1969 of $500,979. This was 8% below the comparable profit of $545,325 for 1968, though still producing a return of 9% on shareholder equity.

Structural Steel Division

Profit from the structural steel operations of Frankel in 1969 was the highest in the company's history, and substantially higher than in 1968. Tonnage produced was also higher than the previous two years, in spite of major strikes in the Ontario construction industry, and in the Canadian basic steel mills. Major contracts negotiated in 1969 included steel for the new paper mill at Nova Scotia Pulp at Port Hawkesbury, Nova Scotia; McMaster University in Hamilton, Ontario; Ontario Place at the Canadian National Exhibition, Toronto; The Alexis Nihon Plaza in Montreal; Kleenex Mill for Kimberly-Clark at Huntsville, Ontario; Dominion Glass Plant in Bramalea, Ontario; London University Hospital, London, Ontario, and an extension to Canadian Kodak Plant in Toronto.

Backlog at the beginning of 1970 is satisfactory, as are bookings for the first half of the year. Volume for the second half of the year will be subject to any further government restraints and, of course, availability and cost of money. However, there appears to be a continuing demand for heavy industrial construction requiring structural steel through to the end of 1970. As a result 1970 operations will again be profitable.

Formwork Division

This operation increased its volume in 1969 under new management. Unfortunately, several of the major contracts were under-estimated and produced a substantial loss. Operations were also affected by the construction workers strike in Toronto. The increased profit in the structural steel business more than counteracted the loss in the Formwork Division.

Major changes are being made to the management and organization to improve the operation of this division.

MATURITIES OF OPERATING ASSETS AND LIABILITIES

	Operating Assets	Operating Liabilities	Difference
Traders Group Limited and Principal Finance Subsidiaries	$000's Omitted		
1970	$236,122	$161,246	$ 74,876
1971	110,676	15,139	95,537
1972	45,450	5,776	39,674
1973	19,156	11,678	7,478
1974	18,168	12,210	5,958
1975-1979		31,477	
1980-1984	33,469	75,815	(148,138)
1985-1989		74,315	
INVESTMENTS	6,990	—	6,990
	470,031	387,656	82,375
Insurance, Frankel and other Finance Subsidiaries	85,964	45,966	39,998
Per Consolidated Balance Sheet	$555,995	$433,622	$122,373

ANALYSIS OF NOTES AND ACCOUNTS RECEIVABLE

	December 31, 1969	1968	1967	1966	1965
Traders Group Limited and Principal Finance Subsidiaries	$000's Omitted				
RETAIL					
Passenger Cars—New	$ 58,792	$ 62,180	$ 63,823	$ 65,640	$ 67,127
Passenger Cars—Used	28,052	29,675	30,931	31,093	34,852
Trucks and Farm Equipment	30,542	29,897	19,186		
Heavy Trucks, Commercial and Industrial Equipment	82,670	68,319	79,332	107,961	127,782
Other Products	15,360	14,396	17,321	11,228	15,997
	215,416	204,467	210,593	215,922	245,758
Wholesale	49,915	59,003	55,680	58,680	70,927
Leasing	5,274	5,185	5,609	5,842	7,955
Dealer Loans	7,659	8,714	11,746	12,944	
Mortgage Loans	30,858	26,054	31,543	43,535	71,293
Real Property Held for Resale	2,752	6,536	4,355	2,963	
Personal Loans	88,492	74,534	59,987	50,736	55,454
Home Improvement Loans	60,832	54,000	50,345	43,899	44,974
	461,198	438,493	429,858	434,521	496,361
Insurance, Frankel and other Finance Subsidiaries	43,267	33,667	28,176	29,931	32,777
Per Consolidated Balance Sheet	$504,465	$472,160	$458,034	$464,452	$529,138

COMPARATIVE SUMMARY OF CONSOLIDATED FINANCIAL STATISTICS in thousands

	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960
Total Assets	$569,355	$534,705	$521,737	$523,651	$583,504	$525,505	$432,015	$379,130	$353,987	$351,157
Notes and Accounts Receivable (gross)	504,465	472,160	458,034	464,452	529,138	467,332	376,776	318,154	302,328	310,295
Secured and Other Debt	381,196	361,238	357,018	362,004	418,834	391,177	316,047	274,883	255,554	259,240
Preferred Shares	20,885	13,658	14,117	14,476	14,664	4,139	4,189	4,189	4,159	7,462
Common Shares and Surplus	54,168	51,502	48,877	47,686	47,982	45,348	43,906	43,954	41,593	33,877
Total Income	110,489	96,928	93,449	95,169	98,001	85,866	71,545	66,466	52,430	50,296
Interest and Borrowing costs	25,523	23,474	21,857	21,969	22,886	18,895	15,113	12,686	12,333	13,063
Insurance Claims	18,074	17,372	15,314	14,849	12,284	10,781	10,947	8,515	7,521	7,845
Admin. Expenses and Depreciation	24,477	22,856	22,832	21,953	21,183	19,651	17,275	15,229	13,537	13,186
Net Profit after Taxes and Minority Interest	6,561	5,619	4,725	3,981	6,012	5,520	3,295	4,644	5,472	4,189
Net Profit available for Common Shares	5,547	4,926	4,014	3,256	5,676	5,315	3,090	4,434	5,227	3,814
Common Shares Dividends paid	2,660	2,654	2,652	3,536	3,530	3,515	3,512	3,507	3,254	3,044
Number Shares o/s	4,433	4,433	4,420	4,420	4,414	4,402	4,391	4,385	4,219*	3,805*
Earned per share	1.25	1.11	0.91	0.74	1.28	1.21	0.70	1.01	1.24*	1.00*
Paid per share	0.60	0.60	0.60	0.80	0.80	0.80	0.80	0.80	0.80*	0.80*

*On comparative basis to reflect 3 for 1 split in May, 1962

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For Release After 3:30 p.m.
August 21, 1970

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Toronto, August 21 -- Traders Group Limited reported lower earnings for the six months ended June 30. Net profit for common shares was $2,212,111 or 50 cents per share, compared with $2,890,337 or 65 cents a share in the corresponding period of 1969.

R.M. Willmott, president, said the lower earnings resulted from decreased profits in the insurance companies and from the Formwork Division of Frankel Steel.

The Finance Group and the Realty and Mortgage Division continued to record increased profits during the first half of the year. Although interest costs have remained at a very high level, the division showed a substantial increase in earnings during the period.

The Insurance Group showed some improvement in operating results in the second quarter, but the decision of management to dispose of investments in order to shorten the average term of bonds and in order to provide additional funds for purchase of equities, contributed a loss of eight cents per share on a consolidated basis.

ANNIVERSARY 50 ANNIVERSAIRE

Frankel Structural Steel Limited made excellent progress during the second quarter, and, as previously indicated, is expected to make a good profit contribution to consolidated results during the last six months of the year.

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